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RV BUSINESS
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tudies Show Changes, RV-Li se Stand

The RVIA Board of Direct s will no longer be di- took several important steps ted toward resisting state-ini- its June 11 meeting in Washin- tiated basic RV driving-skill tests ton, D.C., including a decision for motorhomes of more than to consider changes in its major 26,000 pounds gross vehicle shows, a revision of its stand on weight (gvw) and towables over the controversial issue of a spe- 10,000 pounds. Instead, RVIA will cial driver's license for RVers focus on opposing state efforts and the launching of a new van- to impose commercial skill and conversion promotional pro- health requirements on RV driv- gram. ers.

Show Changes Considered

The RVIA board has authorized a polling of all segments of the industry to see if there is sufficient desire to change the time and place of the National RV Trade Show traditionally held in Louisville, Ky.

The gesture recognizes that many manufacturers might prefer a trade-show scheduling that is closer to new-product release times, possibly in the fall. If a change is desired, however, the floor space required for such a show would allow only a few exhibition hall possibilities, according to RVIA staff.

Also in response to membership requests, a long-range plan for sponsorship of a West Coast spring retail show will be explored by RVIA. Concurrently, efforts to enhance attendance at the Dodger show in November will continue.

RV Licensing

A new position was adopted by the board regarding the current state drive to enact RV driver's licensing restrictions. RVIA

Van Conversions

A Burson-Marsteller van-conversion marketing proposal was accepted in part by the board. The board authorized expenditures of $116,000 for a *USA Today* advertorial on van conversions, a wraparound facsimile of a *USA Today* cover for a collection of van-conversion stories to be distributed at the upcoming National Automobile Dealers Association (NADA) show, a seminar on van conversions to be presented at the NADA show and the maintenance of a van-conversion news bureau. A short lifestyle video production proposed by Burson-Marsteller was not approved.

Regulatory Issues

The association also is asking the National Highway Traffic Safety Administration (NHTSA) for guidelines to be used in determining appropriate vehicle cargo-carrying capacities. The agency, thus far, has not clarified

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AUTO DEALERS WHO SELL RVS: Many dealers successfully combine auto and RV sales, but they admit that auto- and RV-sales strategies mix as well as oil and water. For a unique perspective on the RV market, turn to page 18.

Dealers Upset By 'Gypsy' Sales In East, South

Dealers and manufacturers in some Eastern and Southern states are complaining that increased activity from so-called "gypsy" peddlers with trailer-sale scams is causing a significant drop in sales by legitimate dealers.

The scam operation follows a predictable scenario that begins with a classified advertisement claiming that the trailer for sale is being sacrificed at an extremely low price because of a crisis in the owner's family. The trailer, which has been purchased directly from any one of a number of manufacturers in Indiana or Pennsylvania for as little as $5,000 or $6,000, is then represented as being a $15,000 to $18,000 unit that the owner will "sacrifice" for $9,000.

Unfortunately, those who take the bait usually find that the trailers are of very poor quality, that they have no warranty and that no legitimate RV dealer wants to service them. By the time the buyer discovers all this, however, he also finds that the seller has moved on and left no trace of his real identity, hence the term "gypsy dealer."

Grace Schmalenberg, president of the Centerville, Va., dealership Restless Wheels Inc., said that trailer-sale scams have reached such alarming numbers in that state that legitimate dealers are seeing a significant drop in their sales. "We have

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JULY 10, 1987 TWO DOLLARS

RV BUSINESS

VOLUME 38, NUMBER 7

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COVER: WESTOAKS CHRYSLER-DODGE INC., THOUSAND OAKS, CALIF.; PHOTO: PAUL PRIBBLE

DAB PERSPECTIVE

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	FOR MONTH			YEAR-TO-DATE			FOR MONTH			YEAR-TO-DATE	
	APRIL 1987	APRIL 1986	% CHANGE	1987	1986	% CHANGE	APRIL 1987	APRIL 1986	% CHANGE	1987	1986	% CHANGE
MOTORHOMES	117	108	+ 8	355	327	+ 9	104	99	+ 5	385	354	+ 8
TRAVEL TRAILERS	115	86	+34	313	293	+12	105	118	−11	313	293	+ 7
TRUCK CAMPERS	25	20	+25	79	61	+30	11	10	+10	38	30	+27
CAMPING TRAILERS	121	126	− 4	457	470	− 5	52	37	+41	138	111	+24
FIFTH-WHEELS	24	18	+33	63	59	+ 7	15	12	+20	39	25	+ 6

	FOR MONTH			YEAR-TO-DATE		
	APRIL 1987	APRIL 1986	% CHANGE	1987	1986	% CHANGE
SALES VOLUME	$10,845,033	$9,637,958	+13	$33,489,561	$30,759,980	+ 9
TOTAL UNIT SALES	689	634	+ 9	2,229	2,053	+ 9
NEW-UNIT SALES	402	358	+12	1,316	1,240	+ 6
USED-UNIT SALES	287	276	+ 4	913	813	+12

DEALERS REPORT APRIL SALES INCREASE

GAYLORD MAXWELL

By a margin of more than 2 to 1, RVB's Dealer Advisory Board (DAB) members reported increased sales for April '87 compared to last April. They also maintained the same pace year-to-date.

For the DAB in April, sales volume was up about 13%; the figure is 9% for the year-to-date. Four of the five new-unit categories were up for the month (only camping trailers showed a slight decrease); the same situation existed for the year-to-date. In April, four used categories were up (only travel trailers were down); year-to-date, all types were in the plus column.

In terms of profits, most dealers rated overall new-unit grosses good to fair for the month. Used units were rated good to excellent.

Dealers generally don't seem to be overstocked. New inventories were rated average to high, but used stocks were down for some dealers.

Overall, our DAB figures and reports indicated a relatively healthy retail front for the industry. Particularly significant was the fact that business seemed to be not only up but stable, with about a 10% average increase.

Motorhomes

To some extent, the sales picture for motorhome dealers on the DAB was erratic. Some had enormous increases over the previous April, and some had equally enormous sales flops. Overall, however, new-unit sales figures balanced out to a 9% increase. Generally, used-sales figures were slightly up for most dealers.

New-unit profit ratings were almost evenly distributed between good and fair, with only one excellent.

Travel Trailers

After a weak month in March, travel-trailer sales picked up in April. Of the 17 DAB members who stock this RV type, 14 were up in new-unit sales for the month, and only three were down. Used sales fell somewhat. Year-to-date, both new and used were in the plus column.

Profits were generally rated good to fair, with a couple of excellents.

Truck Campers

April was a good month for both new- and used-camper sales. Not many DAB dealers handle them, but those who do made sales. Profits were rated good.

Camping Trailers

Camping trailers have lagged in sales this year—not much, but enough to make it conspicuous as the only minus category in this report. Certainly, the bottom hasn't fallen out of the market for fold-downs, but about half of the DAB dealers of this type ran slightly behind last year in new-unit sales.

Profits were quite varied—with more checks in the good column, but a couple in the excellent and poor categories.

Fifth-wheels

In terms of percentages, new-unit sales were excellent for fivers in April; in units, the picture wasn't quite as bright. However, most dealers who stocked well, sold well.

Profit ratings ranged from excellent to fair.

Indications are that fivers will continue selling at a slightly "up" pace for the rest of '87. Δ

The "DAB Perspective" is a compilation of data provided by *RV Business'* Dealer Advisory Board (DAB), a group comprised of 24 dealers representing a cross-section of the U.S. dealer body.

Gaylord Maxwell, chairman
Dave Altman, Baldwin Park, Calif.
Annette Autry-Miller, Fayetteville, N.C.
Robert Azevedo, Sunnyvale, Calif.
Jack Cole, North Hollywood, Calif.
Dick Dassen, Victor, N.Y.
Bill De Groot, Junction City, Ore.
Cresby Forrest, Newport News, Va.
Danny Gamel, Fresno, Calif.
Jerry Greer, Columbus, Ohio
Jerry Harrison, Waco, Texas
Dottie Holgeson, Seattle, Wash.
Newton Kindlund, Orlando, Fla.
Ozzie Lenhard, Sayville, N.Y.
Larry McClain, Oklahoma City, Okla.
Jack Moran, Warwick, R.I.
Mike Peay, Albuquerque, N.M.
Edward Peterson, Lafayette, Ind.
William Pifer, Warren, Mich.
Tom Schaeffer, Shoemakersville, Pa.
Mel Shipp, Chattanooga, Tenn.
Jack Sisemore, Amarillo, Texas
Bill Thomas, Bridgeton, Mo.
Fran Van Pelt, Aurora, Ill.
Larry Washburn, Lakewood, Colo.

This report is an attempt to reflect the current retail sales picture; it does not purport to indicate RV production or factory sales to dealers.

NO BOOM, BUT NO GLOOM

MORTON J. MARCUS

The American economy continues the business expansion begun in late 1982. The current forecast indicates no recession in either 1987 or '88.

Changes in leadership on the Federal Reserve Board of Governors should have little impact on the overall performance of the economy. Fed Chairman Alan Greenspan is unlikely to reverse the course set by Paul Volcker.

The second quarter of 1987 *(see Figure 1)* is likely to be the slowest

Figure 1
GROWTH IN REAL GNP
(Seasonally adjusted annual rates)

Quarter	Percent
87:1	4.30
87:2	0.55
87:3	3.82
87:4	3.69
88:1	3.19
88:2	3.16
88:3	2.91
88:4	2.92
89:1	3.01

quarter of the year as domestic automakers try to bring down inventories by cutting production and laying off workers. The strong showing of the economy in the first quarter reflected, in part, overproduction by those automakers.

We, perhaps foolishly, assume that the automakers will get production and sales in harmony with each other. Then the economy will continue to grow rather nicely in 1987 and '88.

The annual rate of growth for this year, after adjustment for inflation, should be nearly 2.5%, improving in 1988 to 3.1%. Over the forecast period, the rate of growth is expected to moderate as higher interest rates take hold, but the economic expansion is not halted.

No stimulus to the economy is forthcoming from nonresidential business investment during 1987. The problems in agriculture and the energy industry continue. In addition, the 1986 tax-reform package has made business investment less attractive.

Residential spending also is forecast to drop from a 9% growth rate to less than a 3% rise in 1987 as interest rates creep upward. Tighter budgets keep the government sector from adding much to buying power in this or next year, as well.

Consumer spending, the most important aspect of all, slows in 1987 as auto sales weaken.

The federal deficit continued to grow in 1986. But this year there should be a reduction in the deficit, as seen in Figure 2. Tax revenues

Figure 2
FEDERAL DEFICIT REDUCTION

Calendar year	Billions of dollars*
1986	–5.3
1987	11.5
1988	8.5

*1982 dollars; adjusted for inflation

will rise by approximately $18 billion dollars, and some of that legislated windfall will be used to cut the deficit.

The deficit reduction will take some pressure off financial markets, but the decline in the value of the dollar will mean that foreign investors will find U.S. debt instruments less attractive.

The net effect should be a rise in interest rates. The dollar has been moving lower from its 1985 peaks, and that movement is probably not at an end yet. It is difficult to say whether we should rejoice or become alarmed by the fall in the dollar. The prices of imports will rise, but, to the extent that domestic manufacturers can win back American and foreign customers, we also will see higher levels of output and employment in this country.

However, the increase in interest rates *(see Figure 3)* will not be enough to choke off the recovery. Short-term rates, as reflected in Treasury-bill rates, are expected to rise by about one full percentage point between now and this time next year. The prime rate could approach 10% by the end of 1988. Long-term rates, the basis for mortgages, should also climb but not with the same vigor as the short-term rates.

The decline in the dollar also is

Figure 3
INTEREST RATES

Quarter	T-bill	Prime rate	AAA bond
87:1	5.53%	7.50%	8.37%
87:2	5.73	7.87	8.79
87:3	6.05	8.22	8.83
87:4	6.38	8.61	8.92
88:1	6.64	8.93	9.01
88:2	6.92	9.27	9.14
88:3	7.18	9.60	9.28
88:4	7.46	9.95	9.44
89:1	7.77	9.44	9.63

one of the stronger forces behind the rise in consumer prices. The worst of this inflationary pressure will probably occur this quarter. Nonetheless, we should be prepared for increases between 4.5% and 5% in this and next year. *(See Figure 4.)*

Figure 4
CONSUMER PRICE INDEX CHANGES
(Annual rates)

Quarter	% change
87:1	5.27%
87:2	5.73
87:3	4.92
87:4	4.45
88:1	4.42
88:2	4.49
88:3	4.57
88:4	4.66
89:1	4.83

Unemployment rates are expected to fall as the economy continues to grow. Even with rising inflation, the Misery Index, which is a combination of the unemployment rate and the percentage change in the Consumer Price Index should be just short of 10% in 1987 and '88.

Many economists would argue that the current "natural" rate of misery is about 9% (6% unemployment and 3% inflation). Hence, even at 10%, we should not be very miserable in the years ahead.

The RV Forecast

The improvement in the RV market in 1987 should be the best performance since the market's resurgence of 1983.

The industry's growth was retarded in 1986, as Americans were diverted to new homes and new cars by low interest rates. Now, in 1987, a 17.6% increase is forecast. Total shipments should rise to 452,800 units, followed by 487,200 units in 1988. *(See Chart 1.)*

This robust growth is helped by prospects that fuel prices will rise at about the same rate as consumer prices in general and that consumer incomes will continue to make moderate advances. Never quite in tune with general economic conditions, the RV market will be one of the strong segments of the American economy, if this forecast is accurate.

The predicted gains are impressive in all major market segments: 1987 is expected to see 31,600 more towable units, an added 17,100 motorhomes and 19,100 more van conversions. *(See Chart 2.)* The total shipments increase the numbers to 67,800 units.

In 1988, the expected gains are smaller: Total units climb by 34,400, with an added 17,600 towables, 10,100 more motorhomes and 6,600 more van conversions. The slowed growth of 1988 is due to the toll taken by the anticipated rise in interest rates.

These dramatic gains show up most clearly in percentage terms, as graphically shown in Chart 3. Towables and motorhomes both have gains in the neighborhood of 24% for 1987. Vans rise by a more moderate 10% bringing the percentage increase for the entire industry to 17.6% in 1987.

But, as can be seen, the gains are cut sharply in 1988. The total increase falls to 7.6%, with the increases for towables and motorhomes now in the 11% vicinity, while van conversions have a 3% gain.

Quarter by quarter and adjusted for normal seasonal fluctuations, Chart 4 shows that shipments of towables will peak in the summer of 1988. The forecast peak for motorhomes is reached somewhat earlier, most likely in the early spring months of 1988.

Van conversions, after falling consistently in 1986, showed good strength in early 1987, but are forecast to have lusterless growth for most of 1987 and 1988. After a robust gain in the first quarter of 1987, vans grow by just 6.3% from the second quarter of 1987 through the first quarter of 1989. This compares with a healthier 10.5% growth rate for towables and motorhomes combined during the same period.

The net effect of the difference between the growth of van conversions and other types of RVs becomes clear in the representation of market shares in Chart 5. In 1986, van conversions had 47.3% of the RV market, but that position slips to 42.6% by 1988, when vans do not progress with the other major segments of the industry.

In contrast, the market share of towables moves up from 34.9% in 1986 to 37.7% in 1988, while the motorhome portion of the market

QUARTERLY FORECAST

Chart 1 ANNUAL RV SHIPMENTS

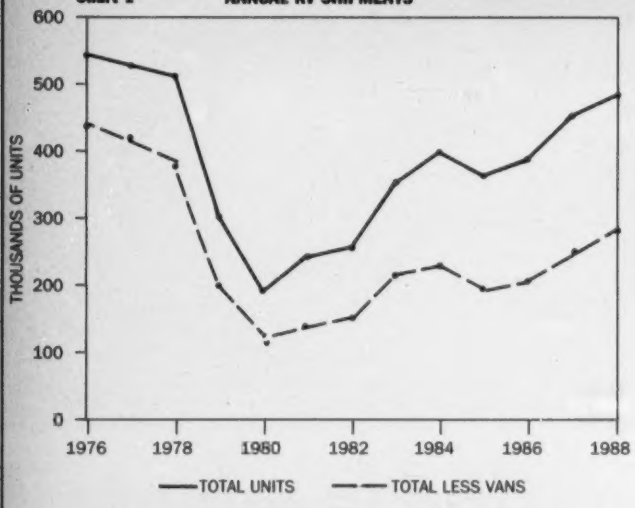


Chart 2 ANNUAL RV SHIPMENTS

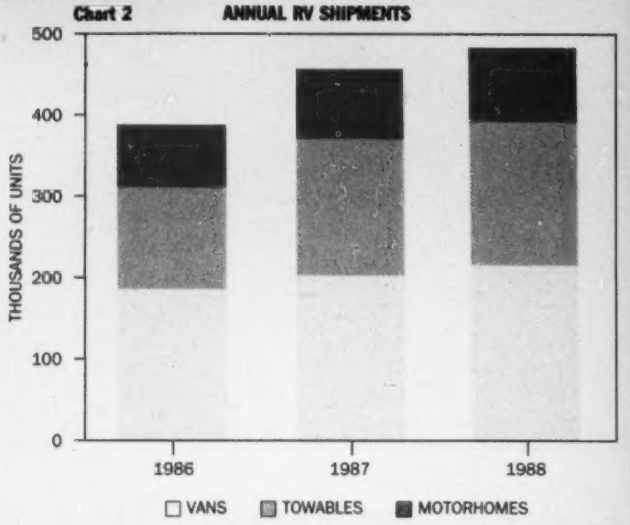


Chart 3 ANNUAL PERCENT CHANGE IN RV SHIPMENTS

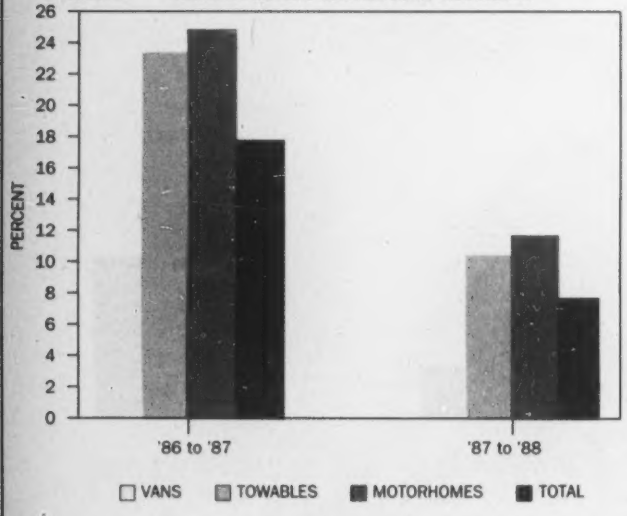


Chart 4 QUARTERLY RV SHIPMENTS
(Seasonally adjusted data)

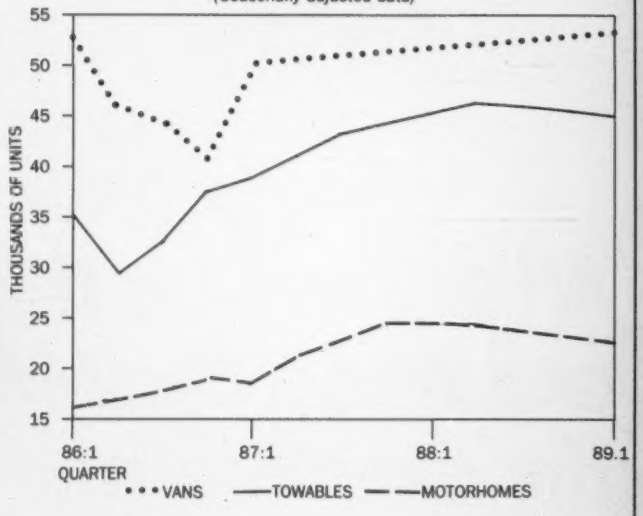
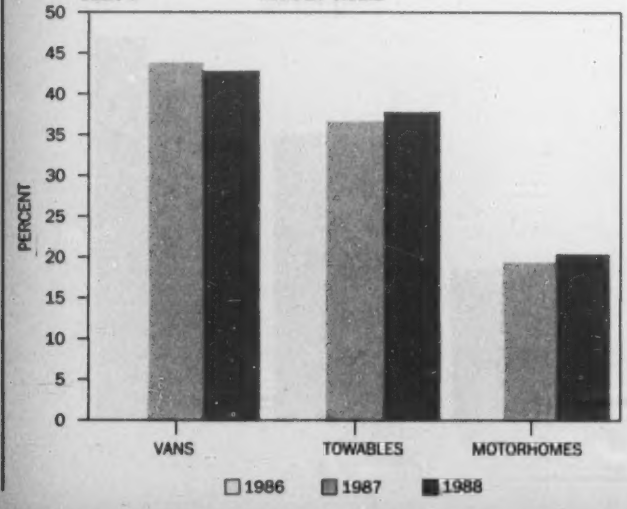


Chart 5 MARKET SHARE



advances from 17.8% to 19.7%.

Unfortunately, early indications for 1989 are not favorable. Rising interest rates and a continuing slowdown in economic growth could cause the RV market to decline in 1989. Motorhomes would lead the way down, followed by towables. Van-conversion growth would be flat, if our preliminary view of 1989 becomes reality.

Should interest rates rise faster than we currently expect, or should petroleum prices move up faster than the general level of prices, then the slowing economic pace now forecast for 1988 could turn to a crawl, and this forecast would seem overly optimistic.

Indeed, the risks of this forecast, we believe, are primarily on the downside. History may judge our current predictions as the high point of an enthusiasm fueled by the growth of the past five years. The optimistic view presented here is attainable—but the industry has to get all the breaks. Δ

This economic outlook was developed by the Indiana University School of Business. The national forecast was prepared under the direction of R. Jeffrey Green; the RV forecast was developed by Charles Hageboeck; graphics and text were written specifically for RV Business and are the work of Morton J. Marcus, director of the Indiana Business Research Center and a regular contributor to these pages.